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Coffee

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Report Highlights:

Colombian imports of coffee are expected to increase to 400,000 60 kg bags in 2004/05 as less low quality local coffee is available for local consumption. Colombia's coffee production reached 11.9 million (60 Kg bags) at the end of marketing year 2004/05 and is expected to be 11.55 million (60 kg bags) during year 2005/06. Exports reached 11.03 and will likely remain at that level. With the U.S. as an active ICO member, Colombia expects other countries such as Canada, Russia and China to become members. In the free trade agreement currently being negotiated between the U.S. and Colombia, the Colombian industry is seeking recognition of Colombian coffee as a distinctive regional denomination and is requesting immediate duty reduction for products that contain coffee.

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Table of Contents

Executive Summary	3
Production	3
Consumption.....	4
Trade.....	4
Stocks	4
Policy	4
U.S. – Colombia Free Trade Agreement	5
Support	5
Prices	5

Executive Summary

Colombia's coffee production reached 11.9 million (60 Kg bags) at the end of marketing year 2004/05, which represents an increase of 834,000 bags compared with a year before. Production for 2005/06 is expected to fall to 11.55 million (60 kg bags) mainly due to excess rainfall which has had some impact on flowering.

Coffee quality has improved, which means that a lower amount of low quality coffee is available for the local market. Although local consumption remains lower, coffee supplies for local consumption have been tight and imports have increased. Imports are calculated at 400,000 (60 Kg bags) and will increase to 500,000 (60 Kg bags) next year, mainly to cover local coffee consumption.

Exports increased to 11.03 million 60-kg bags in 2004/05, 878,000 (60-kg bags) higher than a year before. In 2005/06, export volumes are expected to fall slightly by 92,000 (60-kg bags) due to lower production.

The Colombian government continues to support coffee growers through guaranteeing a minimum price to the growers of 340,000 Col pesos (\$ 0.60 per pound) and giving fertilizer for plant renovations. In addition, the coffee growers federation will devote 2 US cents of the current 6 US cents levy on exports to develop the coffee future's market in Colombia.

Officials at the Colombian Coffee Federation welcome participation of the U.S. as an active ICO member and expect other countries such as Canada, Russia and China to become members as well. They are hoping to push for more work in topics related to quality recognition, marketing development, technical assistance and support for scientific research among others. Colombian exporters expect that a coffee market committed to quality recognition will be result in higher international prices for Colombian coffee.

The Colombian coffee industry is pressing for recognition of Colombian coffee as a distinctive regional denomination in the free trade agreement currently being negotiated between the U.S. and Colombia, and will request immediate duty reduction for products that contain coffee.

Production

Colombia's coffee production reached 11.9 million (60 Kg bags) at the end of marketing year 2004/05 which represents an increase of 834,000 bags compared with a year before. This increase in production is due to continued plant renovations with higher tree densities and better management practices. Although the recovery in international prices has increased export value, the rising value of the peso has reduced considerably the income of coffee growers.

Production for year 2005/06 is expected to fall slightly to 11.55 million (60 kg bags) mainly due to excess of rainfall that has affected plant floration. The renovation program and better management practices for higher productivity and quality will continue. Reduced production in marginal areas is being offset by increasing areas in the Huila region in the southeast of the coffee zone where the altitude and climate have the same characteristics for producing high quality coffee as the traditional central coffee zone. In the future, Colombia's coffee production is like to be between 11.0 and 12.0 million bags as the reduced area is planted with higher tree density and is more intensively managed for higher production and quality.

The Coffee Growers Federation has increased emphasis on increasing production of high quality coffee that is identified by its origin on international markets. In addition, supplementary activities are been promoted by the Coffee Growers Federation for small

producers, 90 percent of which have less than 5 hectares, to have a diversified source of income and improve quality and productivity.

Consumption

Colombia's coffee consumption is expected to maintain its current relatively low level of consumption (compared with other producer countries). Increases in local coffee consumption are generally due to expanding consumption of products containing coffee. Despite the strong marketing efforts to expand coffee consumption as a whole, there has been more competition among coffee brands and only a slow shift from lower to high quality and specialty coffees.

The National Coffee Growers Association announced the launch new products that contain coffee. This will increase demand on the local market for low quality coffee.

Trade

Colombian coffee imports have been growing rapidly to reach a projected 400,000 60-kg bags for 2004/2005 marketing year, 300,000 bags higher than a year before. Coffee imports are covering the market gap left by higher exports. Ecuador and Peru have been the main suppliers.

In 2004/05 marketing year Colombia exported 11.03 million 60-kg bags, 878,000 60-kg bags higher (8.6%) from 10.15 million 60-kg bags a year before. The U.S. market received 35 percent of the total exports of Colombia and continues as the single largest market for Colombian coffee. Colombia exported to the U.S. 3.8 million 60-kg bags. Japan and Germany were the second and third largest markets for Colombian coffee exports amounting 1.7 million 60-kg bags and 1.5 million 60-kg bags, together representing 28 percent of exports.

Colombian exports has been benefited with the strong program of quality coffee recognition and the short supply of high quality coffee. International prices are higher than a year before and Colombian coffee is receiving a premium. The Colombian grower federation is confident that greater differentiation of high quality coffee and the U.S. rejoined to ICO will help improve consumer awareness and recognition of Colombian coffee.

Stocks

An estimated 1.1 million bags were held in stocks at the end of the 2004/05 marketing year. This amount represents a bit more than a month of exports. The estimate of stocks is Post's estimate based on information from the Colombian Coffee Federation. Lower stocks are expected next year due to expected tight supplies of quality coffee in the local market as long as prices remain profitable on international markets.

Policy

U.S. joins ICO - With the U.S. now joined the ICO, authorities at the Coffee Federation hope that the ICO will be more dynamic on topics related to quality recognition, market development, technical assistance and support for scientific research among others. They welcome participation of the U.S. as an active ICO member and expect other countries such as Canada, Russia and China to become members as well.

Colombian exporters are also happy about the entrance of the U.S. into ICO. They see as highly positive the fact that the biggest single country consumer of coffee worldwide is again

part of the ICO. They expect that in a coffee market committed to quality recognition, quality differentiation will be the main factor in determining international coffee prices.

U.S. – Colombia Free Trade Agreement

The free trade agreement currently being negotiated between the U.S. and Colombia will have no impact on duties, since green coffee entering U.S. market pays no tariffs. The Colombian Government will, however, pursue the establishment of rules of origin that do not allow the U.S. to export to Colombia coffee products made from coffee produced outside the region. They will also be seeking recognition of Colombian coffee as a distinctive regional denomination and will request immediate duty reduction to products that contain coffee: candies, beverages and others.

Support

The Colombian government continues providing support through guaranteeing a minimum price paid to growers of 340.000 pesos (\$149.11) per 125 kg bag. Currently the government is not paying this subsidy because the international price is well above the trigger price for the support of \$0.60 per pound.

The Colombian Growers Federation is planning to support use the future's market for growers to sell their crops. Two US cents from each bag exported will be devoted to promote the use of this mechanism.

Prices

Despite the revaluation of the peso (i.e. it is going up relative to the U.S. dollar), prices paid to the growers have improved due to better international prices. The average price paid to growers during the January-September period was 36 percent above prices a year before.

Tables

PSD Table							
Colombia							
Coffee, Green							
(1000 HA)(MILLION TREES)(1000 60 KG BAGS)							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		10/2003		10/2004		10/2005	MM/YYYY
Area Planted	770	770	765	765	750	750	(1000 HA)
Area Harvested	630	630	620	620	610	610	(1000 HA)
Bearing Trees	2800	2800	2800	2800	2800	2800	(MILLION TREES)
Non-Bearing Trees	1030	1030	1030	1030	1030	1030	(MILLION TREES)
TOTAL Tree Population	3830	3830	3830	3830	3830	3830	(MILLION TREES)
Beginning Stocks	1437	1437	1131	1131	1006	1126	(1000 60 KG BAGS)
Arabica Production	11053	11053	11500	11887	11600	11550	(1000 60 KG BAGS)
Robusta Production	0	0	0	0	0	0	(1000 60 KG BAGS)
Other Production	0	0	0	0	0	0	(1000 60 KG BAGS)
TOTAL Production	11053	11053	11500	11887	11600	11550	(1000 60 KG BAGS)
Bean Imports	0	0	0	0	0	0	(1000 60 KG BAGS)
Roast & Ground Imports	50	50	55	400	60	500	(1000 60 KG BAGS)
Soluble Imports	0	0	0	0	0	0	(1000 60 KG BAGS)
TOTAL Imports	50	50	55	400	60	500	(1000 60 KG BAGS)
TOTAL SUPPLY	12540	12540	12686	13418	12666	13176	(1000 60 KG BAGS)
Bean Exports	9484	9484	9750	10352	9850	10250	(1000 60 KG BAGS)
Roast & Ground Exports	120	120	120	120	120	120	(1000 60 KG BAGS)
Soluble Exports	550	550	550	560	550	570	(1000 60 KG BAGS)
TOTAL Exports	10154	10154	10420	11032	10520	10940	(1000 60 KG BAGS)
Rst,Ground Dom. Consum	1000	1000	1000	1000	1000	1000	(1000 60 KG BAGS)
Soluble Dom. Consum.	255	255	260	260	260	260	(1000 60 KG BAGS)
TOTAL Dom. Consumption	1255	1255	1260	1260	1260	1260	(1000 60 KG BAGS)
Ending Stocks	1131	1131	1006	1126	886	976	(1000 60 KG BAGS)
TOTAL DISTRIBUTION	12540	12540	12686	13418	12666	13176	(1000 60 KG BAGS)

Export Trade Matrix			
Colombia			
Coffee, Green			
Time Period	Oct-Sep	Units:	,000 (60 Kg bag)
Exports for:	2005		2006
U.S.	3817	U.S.	
Others		Others	
Japan	1679		
Germany	1451		
Belgium	701		
Canada	627		
Italy	391		
United Kingdom	367		
Sweden	267		
Spain	234		
Korea	205		
Total for Others	5922		0
Others not Listed	1293		
Grand Total	11032		0

Import Trade Matrix

Colombia			
Coffee, Green			
Time Period	Oct-Jul	Units:	,000 (60 Kg bags)
Imports for:	2004		2005
U.S.	0	U.S.	
Others		Others	
Ecuador	264		
Peru	87		
Vietnam	7		
Total for Others	358		0
Others not Listed	2		
Grand Total	360		0

Prices Table

Colombia			
Coffee, Green			
Prices in	,000 Col pesos	per uom	125 kg bag
Year	2004	2005	% Change
Jan	341	417	22%
Feb	334	483	45%
Mar	343	559	63%
Apr	326	519	59%
May	346	502	45%
Jun	378	464	23%
Jul	320	413	29%
Aug	319	410	29%
Sep	352	384	9%
Oct	349		-100%
Nov	388		-100%
Dec	422		-100%
Exchange Rate	2280.19	Local Currency/US \$	
Date of Quote	11/14/2005	MM/DD/YYYY	

Source: Coffee Growers Federation. Price paid to the growers